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Town of Webb Mississippi

Financial Statements

September 30, 2003

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Town of Webb Mississippi

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**SPECIAL REPORT ON AGREED-UPON
PROCEDURES FOR SMALL MUNICIPALITIES (TOWNS)**

Honorable Mayor and Board of Alderman
Town of Webb
Webb, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Webb, Mississippi, as of September 30, 2003, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31. Mississippi Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Webb, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
State Bank and Trust	General	\$7,924
State Bank and Trust	Proprietary	6,855
State Bank and Trust	Proprietary	2,559
State Bank and Trust	Proprietary	(5,506)
State Bank and Trust	Proprietary	5,616
State Bank and Trust	General	1,000
State Bank and Trust	General	5,982
State Bank and Trust	Proprietary	3,425
State Bank and Trust	General	40,264
State Bank and Trust	General	275
State Bank and Trust	General	130
State Bank and Trust	Proprietary	3,425
State Bank and Trust	General	<u>36,038</u>
Total		<u>\$107,987</u>

2. We physically examined securities held for investment. Securities held in trust were confirmed directly with respective trustees. All investment transactions during the year were examined for compliance with investments authorized by Section 21-33-323, Mississippi Code Ann. (1972).

<u>General Security</u>	<u>Fund</u>	<u>Ledger Cost</u>
Certificate of Deposit	General	\$36,038

3. We performed the following procedures with respect to taxes on real and personal property (including motor vehicles) levied during the fiscal year:
 - a. Verify use of certified county assessment rolls and trace levies to governing body minutes;
 - b. Examined uncollected taxes for proper handling, including tax sales;
 - c. Traced distribution of taxes collected to proper funds; and
 - d. Analyzed increase in taxes for most recent period for completion with increase limitations of Sections 27-39-320 to 27-39-323, Mississippi Code Ann. (1972).

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Mississippi Code Ann. (1972).

Ad valorem tax collections for the retirement of general obligation debt was found to be sufficient for payment of current principal and interest in accordance with limitations imposed by Sections 21-33-87 and 21-33-303, Mississippi Code Ann. (1972).

4. We obtained a statement of payments made by the Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger without exception. Payments traced were as follows:

<u>Payment Purpose</u>	<u>Receiving Fund</u>	<u>Ledger Amount</u>
Sales Tax Allocation	General Fund	\$96,075
General Municipal Aid	General Fund	306
Gasoline Tax	General Fund	1,648
Grand Gulf	General Fund	5,466
Public Safety	General Fund	3,038
Fire Protection Allocation	General Fund	2,653

5. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with purchasing requirements set forth in Title 31, Chapter 7, Mississippi Code Ann. (1972), as applicable.

The sample consisted of the following:

Number of Sample Items	60
Total Dollar Value of Sample	\$41,999

We found the municipality's purchasing procedures to be in agreement with the requirements of the above-mentioned sections.

6. We have read the Municipal Compliance Questionnaire completed by the municipality. The completed survey indicated no instances of noncompliance with state requirements.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe the items specified in Paragraphs 1, 2 and 3 should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Webb, Mississippi, for the year ended September 30, 2003.

Charles Buchanan, CPA, PC
 January 13, 2004
 St. Louis, MO

Town of Webb Mississippi
Combined Statement of Cash Receipts and Disbursements (All Funds)
For the Fiscal Year Ended September 30, 2003

	General	Proprietary Funds	Total (Memorandum Only)	
Revenue Receipts:	2003	2002	2003	2002
General property taxes	\$ 30,090	\$ -	\$ 30,090	\$ 69,114
Penalties and interest-delinquent taxes	6,756	-	6,756	5,024
Franchise taxes-utilities	8,605	-	8,605	14,166
Intergovernmental Revenues:				
Community Development Block Grant (Federal)	-	-	-	-
General municipal aid (State)	306	-	306	306
Homestead exemption	-	-	-	6,699
State Shared Revenues:				
Sales tax	96,075	-	96,075	101,318
Gasoline tax	1,648	-	1,648	1,682
Grand Gulf	5,466	-	5,466	5,377
Public safety	3,038	-	3,038	2,422
Alcoholic beverage licenses	-	-	-	900
Fire insurance premiums	2,653	-	2,653	2,500
County Shared Revenues:				
Road maintenance	11,985	-	11,985	11,321
Rail car tax	-	-	-	828
Licenses and permits	1,618	-	1,618	1,990
Interest	1,825	318	2,143	808
Rent	1,355	-	1,355	1,725
Miscellaneous	-	-	-	-
Charges for Services:				
Garbage	-	-	-	24,522
Water and sewer	-	144,329	144,329	118,573
Court fines	10,243	-	10,243	13,690
Total receipts	<u>181,663</u>	<u>144,647</u>	<u>326,310</u>	<u>382,965</u>
Other receipts:				
Sale of bonds	-	-	-	-
Bank loans	-	-	-	-
Loans and transfers	66,762	-	66,762	7,790
Total other receipts	<u>66,762</u>	<u>-</u>	<u>66,762</u>	<u>7,790</u>
Total receipts	<u>248,425</u>	<u>144,647</u>	<u>393,072</u>	<u>390,755</u>
Cash Balance-Beginning of Year	<u>168,141</u>	<u>42,075</u>	<u>210,216</u>	<u>251,665</u>
Total Amount to Account For	<u>416,566</u>	<u>186,722</u>	<u>603,288</u>	<u>642,420</u>
Operating Disbursements:				
General government (Executive/Financial)	111,896	-	111,896	96,742
Public Safety:				
Police	102,191	-	102,191	123,154
Fire	6,419	-	6,419	5,773
Highways and streets	64,744	-	64,744	61,804
Culture and Recreation:				
Contributions to library	-	-	-	-
Community house	134	-	134	265
Supplies	118	-	118	2,067
Utilities	666	-	666	454
Building and plant	25,979	-	25,979	26,421
Enterprise:				
Water and sewer	-	71,554	71,554	78,563
Interest on bonds	1,407	5,652	7,059	4,261
Paying agent fees on bonds	-	-	-	-
Other	-	-	-	-
Total Operating Disbursements	<u>313,554</u>	<u>77,206</u>	<u>390,760</u>	<u>399,504</u>
Other Disbursements:				
Bonds retired	-	22,223	22,223	7,364
Notes paid	11,400	-	11,400	1,303
Capital outlay	-	-	-	-
Community Development Block Grant	-	-	-	-
Loans and transfers	-	70,918	70,918	24,033
Total Other Disbursements	<u>11,400</u>	<u>93,141</u>	<u>104,541</u>	<u>32,700</u>
Total Disbursements	<u>324,954</u>	<u>170,347</u>	<u>495,301</u>	<u>432,204</u>
Cash Balance-End of Year	<u>91,612</u>	<u>16,375</u>	<u>107,987</u>	<u>210,216</u>
Total Amount Accounted For	<u>\$ 416,566</u>	<u>\$ 186,722</u>	<u>\$ 603,288</u>	<u>\$ 642,420</u>

See accompanying notes and accountant's compilation report.

**Town of Webb Mississippi
Notes to the Financial Statements
September 30, 2003**

Note A: Summary of Significant Accounting Policies

General Information

The town operates under the Mayor/Board of Aldermen form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the town consists of all the funds of the town.

Fund Accounting

The accounts of the town are organized on the basis of funds, each of which is considered a separate accounting entity.

Basis of Accounting

The financial statement is prepared on a cash receipts and disbursements basis, as prescribed by the Office of the State Auditor.

Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Note B: Report Classifications

Receipts and disbursements were classified according to requirements for small towns in the State of Mississippi as prescribed by the Office of the State Auditor.

Note C: Contingent Liability-Litigation

There were no known litigation at the balance sheet date, however the town received grants from state and governmental agencies that require compliance audits to determine whether grants were expended in accordance with the grants regulations. There is a probability that the town did not expend these grants in accordance with grant regulations.

**Town of Webb Mississippi
Schedule of Investments-All Funds
September 30, 2003**

<u>Ownership</u>	<u>Type of Investment</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Investment Cost/Value</u>
Governmental Fund Types					
General Fund	Certificate of Deposit	1.25%	September 6, 2001	March 12, 2004	\$ 36,038
Total Investments					\$ 36,038

See accompanying notes and accountant's compilation report.

**Town of Webb Mississippi
Schedule of Long-Term Debt
For the Fiscal Year Ended September 30, 2003**

Definition and Purpose	Balance Outstanding	Transactions During Fiscal Year		Balance Outstanding
	<u>10/1/2002</u>	<u>Issued</u>	<u>Redeemed</u>	<u>9/30/2003</u>
Revenue Bonds:				
GMAC 5% bond for sewer system improvements. Annual payments of \$11,265 for principal and interest. Currently paying \$968.75 monthly.	\$ 81,519	\$ -	\$ 2,223	\$ 79,296
Water and Sewer, Series 1990 - 8%. Original amount \$100,700. Interest payable annually on September 1, principal payable annually on September 1 as follows: \$5,700 - 1991, \$5,000 - 1992-2000, \$10,000 - 2001-2005	40,000	-	20,000	20,000
Other Long-Term Debt:				
New Holland Credit for tractor. Original amount \$15,557.23. Advance payment of \$324.12, 46 monthly payments of \$324.12, and 1 payment of \$323.59.	14,254	-	3,914	10,340
2001 Chevrolet Impala Police Cruiser. Original amount \$22,515. Annual payments of \$8,893.07 for 3 years.	22,515	-	7,486	15,029
TOTAL	<u>\$ 158,288</u>	<u>\$ -</u>	<u>\$ 33,623</u>	<u>\$ 124,665</u>

See accompanying notes and accountant's compilation report.

**Town of Webb Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2003**

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Bond Amount</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Status</u>
Earnestine Dixon	Mayor	Great River Insurance Company	\$ 10,000	7/3/2001	7/1/2005	In-Force
Patricia Brown	Alderman	The Mitchell Company	25,000	5/1/2003	1/1/2004	In-Force
James Croft	Alderman	The Mitchell Company	25,000	5/1/2003	1/1/2004	In-Force
Martha Ann Clark	Alderman	The Mitchell Company	25,000	5/1/2003	1/1/2004	In-Force
Jennifer Mims	Alderman	The Mitchell Company	25,000	5/1/2003	1/1/2004	In-Force
Betty Powell	Alderman	The Mitchell Company	25,000	5/1/2003	1/1/2004	In-Force
Yolanda Harris	Clerk	The Mitchell Company	50,000	3/14/2003	3/14/2004	In-Force
Jimmy Gibbs	Police Chief	The Mitchell Company	50,000	3/14/2003	3/14/2004	In-Force
Thomas Dixon	Assistant Police Chief	The Mitchell Company	10,000	3/14/2003	3/14/2004	In-Force
Darnell Survillion	Police Officer	The Mitchell Company	10,000	6/16/2003	6/16/2004	In-Force
Henry Gipson	Police Officer	The Mitchell Company	10,000	3/14/2003	3/14/2004	In-Force

See accompanying notes and accountant's compilation report.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Alderman
Town of Webb
Webb, Mississippi

We have audited the general-purpose financial statements of the Town of Webb as of and for the year ended September 30, 2003 and have issued our report dated January 13, 2004. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general-purpose financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

2003-1 Observation: We noted bank statements for the following accounts were not reconciled to the general ledger:

Bond & Interest Debt Cushion	Bondholders for Bond
Tax Water	General (certain months)
Water & Sewer	CDBG
Certificate of Deposit	Civic Center
Depreciation	Fireman's Fund
LLEBG Public Safety	Tobacco Enforcement
Water Sewer Contingency	

Criteria: Bank reconciliations are an essential element in determining if transactions are properly recorded and discovering errors or omissions in a timely manner. Generally accepted accounting principles require, and effective internal controls demand, accurate, complete and timely prepared bank statement reconciliations to ensure that all items of income and expense are reported and that the financial statements are complete.

Effect: The agency's financial statements were misstated, inaccurate and misleading. Budget revenue and expense reports were inaccurate.

Recommendation: We recommend the Town of Webb obtain financial expertise in this area and ensure that bank reconciliations are reconciled by comparing the balance sheet reported cash balances to the monthly bank reconciliations. To further strengthen controls, the Mayor, or her designee, should receive all unopened bank statements, review all or a sample of checks written for signatures and familiarity with vendor names, and initial and date the bank statement to indicate her review prior to giving them to the clerk for reconciliation. Once a year, or more, the Mayor or her designee, should hand deliver payroll checks to each employee, personally. These measures are highly effective when a town does not have adequate staffing to help segregate duties.

	Response:	The Town of Webb has acquired an accountant to train personnel in weak areas and to prevent this from occurring again. There will be an ongoing line of communication with the Mayor, accountant, and staff to make sure that bank reconciliations are done monthly.
2003-2	Observation:	We noted no evidence of the Town of Webb publishing or posting an ad, or contacting vendors to request proposals for the selection of a depository.
	Criteria:	Section 27-105-1 et seq., Mississippi Code Ann. (1972) requires municipalities to select depositories for no more than a two-year term.
	Effect:	By not requesting proposals from depositories, the town did not engage in fair and competitive practices.
	Recommendation:	We recommend the Town of Webb contact local depositories and ask them to submit a bid.
	Response:	The Town of Webb will post and publish an ad to request proposals for the selection of a depository. The first posting will be done on February 13, 2004 and every two years after that, as required by state regulations.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the Town of Webb's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Charles Buchanan, CPA, PC
January 13, 2004
St. Louis, MO

Follow-Up on Prior Audit Findings

**Town of Webb Mississippi
Follow-Up On Prior Findings
September 30, 2003**

- 2002-1 Observation:** We noted the current audit was not performed timely as required by Section 21-35-31, Mississippi Code Annotated (1972), Chapter 35 of Title 21.
- Status:** Implemented.
- 2002-2 Observation:** We noted bank statements for the following accounts were not reconciled to the
(Repeat Finding) general ledger:
- | | |
|------------------------------|--------------------------|
| Bond & Interest Debt Cushion | Bondholders for Bond |
| Tax Water | General (certain months) |
| Water & Sewer | CDBG |
| Certificate of Deposit | Civic Center |
| Depreciation | Fireman's Fund |
| LLEBG Public Safety | Tobacco Enforcement |
| Water Sewer Contingency | |
- Status:** Not implemented.
- 2002-3 Observation:** We noted no evidence of the Town of Webb publishing or posting an ad, or
(Repeat Finding) contacting vendors to request proposals for the selection of a depository.
- Status:** Not implemented.
- 2002-4 Observation:** We noted that the Town of Webb used the full accrual basis of accounting for
financial statement preparation.
- Status:** Implemented.

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Management Letter

Honorable Mayor and Board of Alderman
Town of Webb
Webb, Mississippi

In planning and performing certain agreed-upon procedures as of and for the year ended September 30, 2003, we considered its internal controls in order to determine our procedures for the purpose and not to provide assurance on the internal controls. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal controls would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

REPORTABLE CONDITIONS

- 1. Observation:** The budget for the fiscal year ended September 30, 2003 was not adopted by September 15th. We also noted that the Town of Webb neither published nor posted their budgets for the fiscal years ended September 30, 2003 and 2003.

Criteria: Section 21-35-9, Mississippi Code Ann. (1972) requires the budget to be adopted on the board's minutes by September 15th.

Recommendation: We recommend the town have its budget prepared in a timely manner in accordance with state regulations.

Response: The Town of Webb will have budgets adopted in a timely manner and recorded in the board's minutes by September 15th to meet the state's regulations.
- 2. Observation:** Certain invoices, bank statements, cancelled checks/check stubs, and bid files could not be located in a timely manner. Out of 120 invoices and cancelled checks selected for testing over the two year period, only 39% of the invoices and 50% of the cancelled checks were located.

Criteria: The above-mentioned items are a very important part of the audit trail. They assist the accountants as well as the town clerk in keeping up with the town's revenues and expenditures and to ensure that the town was fair in selecting winning bids.

Recommendation: We recommend that the town implements a new filing system for invoices (perhaps by vendor) and bids received (perhaps by project) and also retain all bank statements, cancelled checks/check stubs.

Response: The Town of Webb will implement a filing system by vendor. All bank statements for the fiscal year will be retained in a binder for easy access and bids will be filed by project.

3. **Observation:** We noted that the town is in default on their note to GMAC. The town has not made a payment in seven months. The last payment confirmed by GMAC was on February 18, 2003.

Criteria: The town has a 5% revenue bond for sewer system improvements. The town is required to make annual payments of \$11,625 for principal and interest, paying \$968.75 monthly.

Recommendation: We recommend the Town contact GMAC and pay the outstanding balance immediately.

Response: The Town of Webb will contact GMAC to pay the outstanding balance.

We received complete cooperation from the Town of Webb's staff and officers. We welcome the opportunity to discuss the issues mentioned in this letter, or any other accounting and procedural problems in order to coordinate our efforts with you, the mutual objectives being the development of more effective accounting, financial reporting and business procedures for the town.

We understand that some of the aforementioned issues are in the process of implementation or may already have been implemented after this report date; however, these issues are noted so that effective follow-up can be accomplished.

Thank you for the opportunity to be of service to you. We sincerely appreciate all the courtesies and cooperation extended to us by you and your staff, and we remind you that we are available on a year-round basis. Please do not hesitate to call us whenever you believe we can be of assistance.

This report is intended solely for the information and use of the Mayor and the Board of Alderman of the Town of Webb Mississippi.

Charles Buchanan, CPA, PC
January 13, 2004
St. Louis, Missouri